



Gallagher

Public Entity & Scholastic Division

# COLLIN COUNTY, TEXAS

2300 Bloomdale Rd., #4117  
McKinney, Texas 75071

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## 2012-13 PROPERTY INSURANCE PROPOSAL

POLICY TERM: 10-01-2012 TO 10-01-2013

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**PRESENTED BY:**

CYNDI BOEHLE, AREA SENIOR VICE PRESIDENT  
MARIA PATTON, ACCOUNT MANAGER

Arthur J. Gallagher Risk Management Services, Inc.  
14241 Dallas Parkway; Suite 300  
Dallas, TX 75254  
972-991-3700

[www.ajgrms.co](http://www.ajgrms.co)

8/20/12



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## Service Team

**Cyndi Boehle** has primary service responsibility for your company. We operate using a team approach. Your Service Team consists of:

NAME / TITLE	PHONE / FAX / ALT. PHONE	EMAIL
<b>Cyndi Boehle</b> Producer	972-663-6126(p) 972-991-3700(a)	Cyndi_Boehle@AJG.com
<b>Maria Patton</b> Account Manager	972-663-6160(p) 972-663-6260(f) 972-991-3700(a)	Maria_Patton@AJG.com
<b>Shirley Qualls</b> Assistant Account Manager	972-663-6173(p) 972-663-6273(f) 972-991-3700(a)	Shirley_Qualls@AJG.com

**Arthur J. Gallagher Risk Management Services, Inc.**  
Main Office Phone Number: **972-991-3700**

## Executive Summary

Arthur J. Gallagher Risk Management Services, Inc. appreciates the opportunity to present this proposal for your consideration. We are pleased to present the renewal terms offered by Affiliated FM Insurance Company. The renewal quote offered terms based on the expiring values. Affiliated FM is offering a very competitive property rate as evidenced by the historical rate summary.

### HISTORICAL RATE SUMMARY

POLICY TERM	2012	2011	2010	2009
VALUES	\$452,998,264	\$ 452,998,264	\$372,903,222	\$373,350,726
RATE	0.0571	0.0517	0.0608	0.066
RENEWAL VS EXPIRING	Up 5%	down 17%	down 8%	

We thank you for your consideration and look forward to another year working with the County as a partner. Should you have any questions, please do not hesitate to contact any of the team members included in the Proposal. All are available and would be privileged to assist you with your questions. Thank you again for allowing us to be your partner in this placement.

**Cyndi Boehle**

8/20/2012



## Service Commitment

### Account Service

At Arthur J. Gallagher & Co., we strive for long-term relationships. Insurance Relationships begin with solid, cost-effective insurance programs, but endure because of excellent service. We will address the day-to-day needs of your organization in a timely manner, and will be proactive regarding your insurance program throughout each insurance term and market cycle. In these ways, we can address your changing insurance needs.

### Renewals

At each renewal, we will meet with you to establish a renewal game plan, determine how many markets should be approached, discuss pricing in the insurance marketplace, and identify what specific needs must be addressed. We will then approach markets that we feel will offer the best alternatives. These alternatives will be presented at renewal as an option, even if we feel the incumbent program is strongest. We will demonstrate how we have created competition within the marketplace to ensure that you receive the best renewal terms.

We make ourselves accountable by working with you to develop a written service schedule that meets your needs. You can track our service by referring to our written service commitment. Service becomes especially important as your type of organization continues to change and prosper.

As a top national broker, we have access to over 150 insurance companies and wholesalers. This maximizes your insurance options in any given policy year situation. In addition, our integrity and influence in the marketplace have resulted in excellent relationships with our markets. These factors are especially important to consider as the insurance needs of your organization become more complex and require more sophisticated solutions.

### Acquisitions

On request, we will perform an insurance due-diligence review on all products and acquisitions.

### Phone Calls

Phone calls will be returned within one working day of receipt.

### Certificates of Insurance

Certificates of Insurance will be issued within one working day of receipt.

**Named Insureds**

LINE OF COVERAGE	
Collin County, Texas and its wholly or majority owned subsidiaries and any interest which may now exist or hereinafter be created or acquired which are owned, controlled or operated by any one or more of those named insureds	Property

**Note:** Any entity not named in this proposal may not be an insured entity. This may include partnerships and joint ventures.

**Market Review**

We approached the following carriers in an effort to provide the most comprehensive and cost effective insurance program.

CARRIER	LINE OF COVERAGE	CARRIER POSITION
Affiliated FM Insurance Company (FM Global Group)	Property	Quoted

\* The premium indicated is an estimate provided by the market. The actual premium and acceptance of the coverage requested will be determined by the market after a thorough review of the completed application.

## Insurance Carrier Ratings and Admitted Status

PROPOSED CARRIERS	A.M. BEST'S RATING	ADMITTED/ NON-ADMITTED
Affiliated FM Insurance Company (FM Global Group)	A + XV	Admitted

If the above indicated coverage is placed with a Non-Admitted Carrier, the carrier is doing business in the state as a surplus lines or non-admitted carrier. As such, this carrier is not subject to the same regulations which apply to an admitted carrier nor do they participate in any insurance guarantee fund applicable in that state.

\*The above A.M. Best Rating was verified on the date the proposal document was created.

### Guide to Best Ratings Rating Levels and Categories

LEVEL	CATEGORY	Financial Size Categories		
A++, A+	Superior	<i>(In \$000 of Reported Policyholders' Surplus Plus Conditional Reserve Funds)</i>		
A, A-	Excellent	FSC I	Up to 1,000	FSC IX 250,000 to 500,000
B++, B+	Good	FSC II	1,000 to 2,000	FSC X 500,000 to 750,000
B, B-	Fair	FSC III	2,000 to 5,000	FSC XI 750,000 to 1,000,000
C++, C+	Marginal	FSC IV	5,000 to 10,000	FSC XII 1,000,000 to 1,250,000
C, C-	Weak	FSC V	10,000 to 25,000	FSC XIII 1,250,000 to 1,500,000
D	Poor	FSC VI	25,000 to 50,000	FSC XIV 1,500,000 to 2,000,000
E	Under Regulatory Supervision	FSC VII	50,000 to 100,000	FSC XV 2,000,000 or more
F	In Liquidation	FSC VIII	100,000 to 250,000	
S	Suspended			

Best's Insurance Reports, published annually by A.M. Best Company, Inc., presents comprehensive reports on the financial position, history, and transactions of insurance companies operating in the United States and Canada. Companies licensed to do business in the United States are assigned a Best's Rating which attempts to measure the comparative position of the company or association against industry averages.

A Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. It is not a warranty of a company's financial strength and ability to meet its obligations to policyholders. View the A.M. Best Important Notice: Best's Credit Ratings for a disclaimer notice and complete details at <http://www.ambest.com/ratings/notice>.

Best's Credit Ratings are under continuous review and subject to change and/or affirmation. For the latest Best's Credit Ratings and Best Credit Reports (which include Best Ratings), visit the A.M. Best website at <http://www.ambest.com>. See Guide to Best's Credit Ratings for explanation of use and charges. Copies of the Best's Insurance Reports for carriers listed above are also available upon request of your Gallagher representative.

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Gallagher companies use A.M. Best Company's rating services to evaluate the financial condition of insurers whose policies we propose to deliver. Gallagher companies make no representations and warranties concerning the solvency of any carrier, nor does it make any representation or warranty concerning the rating of the carrier which may change.



## GUIDE TO BEST'S FINANCIAL STRENGTH RATINGS – INSURER

A Best's Financial Strength Rating is an independent opinion of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations. The rating is based on a comprehensive quantitative and qualitative evaluation of a company's balance sheet strength, operating performance and business profile.

### Financial Strength Ratings – Insurer

	Rating	Descriptor	Definition
<b>Secure</b>	A++, A+	Superior	Assigned to companies that have, in our opinion, a superior ability to meet their ongoing insurance obligations.
	A, A-	Excellent	Assigned to companies that have, in our opinion, an excellent ability to meet their ongoing insurance obligations.
	B++, B+	Good	Assigned to companies that have, in our opinion, a good ability to meet their ongoing insurance obligations.
<b>Vulnerable</b>	B, B-	Fair	Assigned to companies that have, in our opinion, a fair ability to meet their ongoing insurance obligations. Financial strength is vulnerable to adverse changes in underwriting and economic conditions.
	C++, C+	Marginal	Assigned to companies that have, in our opinion, a marginal ability to meet their ongoing insurance obligations. Financial strength is vulnerable to adverse changes in underwriting and economic conditions.
	C, C-	Weak	Assigned to companies that have, in our opinion, a weak ability to meet their ongoing insurance obligations. Financial strength is very vulnerable to adverse changes in underwriting and economic conditions.
	D	Poor	Assigned to companies that have, in our opinion, a poor ability to meet their ongoing insurance obligations. Financial strength is extremely vulnerable to adverse changes in underwriting and economic conditions.
	E	Under Regulatory Supervision	Assigned to companies (and possibly their subsidiaries/affiliates) placed under a significant form of regulatory supervision, control or restraint - including cease and desist orders, conservatorship or rehabilitation, but not liquidation - that prevents conduct of normal, ongoing insurance operations.
	F	In Liquidation	Assigned to companies placed in liquidation by a court of law or by a forced liquidation.
	S	Suspended	Assigned to rated companies when sudden and significant events affect their balance sheet strength or operating performance and rating implications cannot be evaluated due to a lack of timely or adequate information.

### Rating Outlooks

Assigned to an interactive Financial Strength Rating to indicate its potential direction over an intermediate term, generally defined as 12 to 36 months.

Positive	Indicates possible rating upgrade due to favorable financial/market trends relative to the current rating level.
Negative	Indicates possible rating downgrade due to unfavorable financial/market trends relative to the current rating level.
Stable	Indicates low likelihood of a rating change due to stable financial/market trends.

### Rating Modifiers

Modifier	Descriptor	Definition
u	Under Review	Indicates the rating may change in the near term, typically within six months. Generally is event driven, with positive, negative or developing implications.
pd	Public Data	Indicates rating assigned to insurer that chose not to participate in A.M. Best's interactive rating process.
s	Syndicate	Indicates rating assigned to a Lloyd's syndicate.

### Affiliation Codes

Indicates rating is based on a type of affiliation with other insurers.      g      Group      p      Pooled      r      Reinsured

### Not Rated Categories

Assigned to companies reported on by A.M. Best, but not assigned a Best's Rating.

NR-1: Insufficient Data.	NR-2: Insufficient Size and/or Operating Experience.	NR-3: Rating Procedure Inapplicable.
NR-4: Company Request.	NR-5: Not Formally Followed.	

### Rating Disclosure

A Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings are not assigned to specific insurance policies or contracts and do not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Best's Financial Strength Rating is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser. In arriving at a rating decision, A.M. Best relies on third-party audited financial data and/or other information provided to it. While this information is believed to be reliable, A.M. Best does not independently verify the accuracy or reliability of the information. For additional details, see A.M. Best's *Terms of Use* at [www.ambest.com](http://www.ambest.com).

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## Premium Summary

The estimated program cost for the recommended program/options are outlined in the following table:

LINE OF COVERAGE		EXPIRING PROGRAM		PROPOSED PROGRAM	
		CARRIER	EXPIRING COST	CARRIER	ESTIMATED COST
Affiliated FM Insurance Company	Premium	Affiliated FM Insurance Company (FM Global Group)	\$234,648	Affiliated FM Insurance Company (FM Global Group)	\$246,105
	Taxes		-		-
	Srchrg & Asmnt		-		-
	Total Fees		\$7,000		\$7,500
			\$7,500		\$8,000
					\$0
<b>Total Estimated Program Cost</b>			<b>\$249,148</b>		<b>\$261,605</b>

Quote from **Affiliated FM Insurance Company** is valid until **10/1/2012**

Gallagher is responsible for the placement of the following lines of coverage:  
**Property**

It is understood that any other type of exposure/coverage is either self-insured or placed by another brokerage firm other than Gallagher. If you need help in placing other lines of coverage or covering other types of exposures, please contact your Gallagher representative.

**Payment Plans**

CARRIER	LINE OF COVERAGE	GROUP	PAYMENT SCHEDULE	PAYMENT METHOD
Affiliated FM Insurance Company	Property	FM Global Group	Full Annual premium	Agency Bill

## Coverage Highlights

**Carrier:** Affiliated FM Insurance Company  
**Term:** October 1, 2012 to October 1, 2013

### **NAMED INSURED**

Collin County, Texas and its wholly or majority owned subsidiaries and any interest which may now exist or hereinafter be created or acquired which are owned, controlled or operated by any one or more of those named insureds.

### **POLICY LIMIT**

This company's liability will not exceed the respective Sub-Limits of Liability shown elsewhere for the coverages involved. However, in no event will the company's total Limit of Liability exceed **\$452,998,264** as a result of any one occurrence, regardless of the number of perils, coverages or locations involved.

### **INSURANCE PROVIDED**

All risks of direct physical loss or damage, as defined and limited herein, on Real Property, Personal Property, Business Interruption, including the Extensions of Coverage applying at the following described locations:

### **SUB-LIMITS**

Unless otherwise stated below, the following sub-limits of liability will apply on a per occurrence basis for all coverages provided, and are part of, not in addition to, the above limit(s) of liability.

For Annual Aggregate sub-limits the policy year will begin at the inception date of this policy and be concurrent with the anniversary dates of this policy.

1. \$100,000,000 Earth Movement (Annual Aggregate, for all coverages provided)
2. \$100,000,000 Flood (Annual Aggregate, for all coverages provided)
3. \$1,000,000 Extra Expense -- The Company will pay the greater of the sub-limit or 15% of the reported annual Business Interruption values.
4. \$25,000 Watercraft

### **EXTENSIONS OF COVERAGE (EOC) SUB-LIMITS**

The following sub-limits of liability will apply on a per occurrence basis for all coverages provided, unless otherwise stated below, and are part of, not in addition to the above limit(s) of liability.



For Annual Aggregate sub-limits the policy year will begin at the inception date of this policy and be concurrent with the anniversary dates of this policy.

**All Risk - Extensions of Coverage Sub-Limits**

- 1. \$100,000 Fire Fighting Materials and Expenses
- 2. \$250,000 Professional Fees
- 3. \$250,000 Expediting Expenses
- 4. \$100,000 Trees, Shrubs, Plants and Lawns not to exceed a limit of \$1,000 per item
- 5. \$250,000 Pavements and Roadways
- 6. \$50,000 Land and Water Clean Up Expense (Annual Aggregate, for all coverages provided)
- 7. \$250,000 Installation Floater
- 8. \$2,500,000 Newly Acquired Property
- 9. \$2,500,000 Unnamed Locations Coverage
- 10. \$1,000,000 Fine Arts
- 11. \$500,000 Accounts Receivable
- 12. \$5,000,000 Valuable Papers and Records
- 13. \$500,000 Electronic Data Processing, Data and Media
- 14. Demolition and Increased Cost of Construction
  - Policy Limit Item A: Undamaged Portion
  - \$5,000,000 Item B: Demolition
  - \$5,000,000 Item C: Compliance with the Law
  - \$1,000,000 Item D: Business Interruption
- 15. \$2,500,000 Errors and Omissions
- 16. \$1,000,000 Transit
- 17. Terrorism Coverage and the Supplemental United States Certified Act of Terrorism Endorsement
  - \$100,000 A. United States Certified Act of Terrorism coverage
  - \$100,000 B. Terrorism Coverage for Locations Outside of the United States (Annual Aggregate, for all coverages provided)
- 18. \$2,500,000 Fungus, Mold or Mildew
- 19. \$100,000 Deferred Payment
- 20. \$250,000 Off-Premises Service Interruption - Property Damage
- 21. \$100,000 Arson or Theft Reward
- 22. \$100,000 Money and Securities
- 23. \$100,000 Locks and Keys
- 24. \$100,000 Tenants Legal Liability and Expense
- 25. \$100,000 Soft Costs

**Business Interruption - Extensions of Coverage Sub-Limits**

- A. 30 Days of Ordinary Payroll
- B. 30 Days of Civil or Military Authority
- C. \$250,000 Off-Premises Service Interruption
- D. \$250,000 Contingent Business Interruption
- E. \$250,000 Research and Development Expense
- F. \$250,000 Ingress/Egress
- G. \$100,000 Tax Treatment
- H. 30 Days of Extended Period of Indemnity



The above Extensions of Coverage sub-limits of liability will be the maximum payable for property damage and business interruption (if applicable) resulting from such property damage, or any combination thereof.

With respect to items A. and H. the number of days is part of and not in excess to any other outstanding sub-limits of liability.

As respects the United States of America, its territories and possessions, the District of Columbia, the Commonwealth of Puerto Rico, the U. S. Virgin Islands; and Canada, Section D. Extensions of Coverage Item 9. Unnamed Locations and Section C. Additional Coverage Item 4. Property Removed from Described Locations are extended to Section D. Extension of Coverage Item 17. Terrorism with a sub-limit of liability of \$100,000 (Annual Aggregate for all coverages provided) for Property Damage and Business Interruption (if provided) combined. Also a \$100,000 Flood sub-limit of liability (if provided) (Annual Aggregate for all coverages provided) for Property Damage and Business Interruption (if provided) combined applies to Section D. Extension of Coverage Item 17. Terrorism.

Both of these sub-limits of liability applying to the Extension of Coverage Item 17. Terrorism do not apply to the Supplemental United States Certified Acts of Terrorism Endorsement.

These limits shall not include the Actual Cash Value portion of fire damage caused by Terrorism.

**DEDUCTIBLE AMOUNT**

The following deductible amounts shall apply per occurrence for loss or damage under this policy in the respective loss categories indicated:

- 1. \$100,000 Earth Movement (per occurrence for each location for all coverages provided).
- 2. \$100,000 Flood (per occurrence for each location for all coverages provided) at all remaining locations.

3. Boiler and Machinery:

A. Property Damage: \$10,000

B. Business Interruption Waiting Period:

In the event of loss or damage insured by this policy, no coverage is provided for business interruption unless and until the period of interruption exceeds 24 hours beginning from the time of loss. The company's liability commences only after, and does not include, the waiting period.

4. Off Premises Service Interruption Qualifying Period:

In the event of loss or damage covered by this policy, no coverage is provided unless the service interruption exceeds 48 hours beginning from the time of loss or damage covered by this policy. If the service interruption exceeds 48 hours, the loss will be calculated from the time of loss or damage covered by this policy, subject to the policy deductible.

5. Electronic Data Processing Equipment, Data and Media Deductible:

In the event of loss or damage to Electronic Data Processing (EDP) Equipment, Data and Media insured by this policy caused by the malicious introduction of a machine code or instruction, no coverage is provided unless the period of interruption exceeds 48 hours beginning from the time of insured loss. The company's liability commences only after, and does not include, the Waiting Period specified.

If the period of interruption exceeds 48 hours, the insured loss will be calculated based upon the amount of insured loss in excess of the Waiting Period and subject to a combined deductible for all coverages of \$10,000 per location.

Any period in which business operations or services would have not been maintained, or any period in which goods would have not been produced will not be included as part of or serve to reduce the effect of any Waiting Period.

- 6. \$25,000 Fine Arts  
Valuable Papers
- 7. \$10,000 Contractors Equipment  
Personal property of inmates  
Watercraft
- 8. \$50,000 All Other Losses.

**SPECIAL TERMS AND CONDITIONS:**

1. **Extended Terrorism Coverage Endorsement**

**Section F. Perils Excluded, Group I. Item 2. f) is amended to:**

- f. Terrorism, including action taken to prevent, defend against, respond to or retaliate against Terrorism or suspected Terrorism, except to the extent provided in Section D, Extensions of Coverage, 17. Terrorism. However, if direct loss or damage by fire results from any of these acts (unless committed by or on behalf of the insured), then this Policy covers only to the extent the Actual Cash Value of the resulting direct loss or damage by fire to property insured. This coverage exception for such resulting fire loss or damage does not apply to any coverage provided in any Business Interruption Endorsement, if any, which may be a part of this Policy, or any extension of such coverage, or to any other coverages provided by this Policy.

Any act which satisfies the definition of Terrorism provided in Section H, Definitions, or in any Terrorism Endorsement to this policy, shall not be considered to be vandalism, malicious mischief, riot, civil commotion, or any other risk of physical loss or damage which may be covered elsewhere in this Policy.



If any act which satisfies the definition of Terrorism provided in Section H, Definitions, or in any Terrorism Endorsement to this policy, also comes within the terms of the hostile or warlike action exclusion of this Policy in Section F, Group I, 2.a), the hostile or warlike action exclusion applies in place of this exclusion.

If any act excluded herein involves nuclear reaction, nuclear radiation or radioactive contamination, this exclusion applies in place of the nuclear hazard exclusion of this Policy, Section F, Group I, 1.

### **United States Certified Act of Terrorism 2008**

As respects the United States, its territories and possessions and the Commonwealth of Puerto Rico, the definition of **Terrorism** contained in Section H. DEFINITIONS is declared null and void and it is agreed that an event defined as a Certified Act of Terrorism under the terms of the SUPPLEMENTAL UNITED STATES CERTIFIED ACT OF TERRORISM ENDORSEMENT attached to this policy shall be considered **Terrorism** within the terms of this policy. Notwithstanding anything contained in this policy to the contrary, this policy provides coverage for direct physical loss or damage to insured property and any resulting Business Interruption loss, as provided in the policy, caused by or resulting from a Certified Act of Terrorism only to the extent coverage is provided under the terms and conditions of the SUPPLEMENTAL UNITED STATES CERTIFIED ACT OF TERRORISM ENDORSEMENT attached to this policy. Any difference in limit between loss recoverable under the SUPPLEMENTAL UNITED STATES CERTIFIED ACT OF TERRORISM ENDORSEMENT and this policy is not recoverable under this policy.

### **Real Property Exclusion**

This policy does not insure against loss or damage to Real Property at the following locations:

15. Wylie WIC Office, 303 W. Hwy 78, Wylie, TX, 75098
16. Frisco WIC Office, 8760 3rd Street, Frisco, TX, 75034
17. JOP Frisco, 8585 John Wesley Drive, Frisco, TX, 75034
18. JOP Wylie, 2001 North Highway 78, Wylie, TX, 75098
19. JOP Farmersville, 468A Raymond Street, Farmersville, TX, 7544

### **Contractors' Equipment**

This policy is extended to cover Contractors' Equipment. The company's maximum liability for any one loss under this policy for Contractors' Equipment will not exceed **\$8,707,973** per occurrence.

### **Actual Cash Value Valuation**

The following paragraph shown in the General Conditions section, G. Basis of Valuation;

Adjustment of loss amount(s) under this policy will be determined based on the cost of repairing or replacing (whichever is the lesser), at the time of loss, with materials or equipment of like kind and quality without deduction for depreciation, except as provided in this valuation section.

is amended to:



Adjustment of loss amount (s) under this policy will be determined based on the actual cash value at the time of loss. The words "actual cash value" are substituted wherever the word(s) "replacement cost" are shown.

Applying to Contractors' Equipment.

**Transmission and Distribution Systems Exclusion**

Section E., Property Excluded, is amended to include:

Transmission and distribution systems, including poles, towers and fixtures, overhead conductors and devices, underground or underwater conduit, underground or underwater conductors and devices, line transformers, service meters, street lighting and signal systems.

This exclusion does not apply at the following locations:

- 10. Radio Tower, 700 Wilmeth Road, McKinney, TX, 75069
- 11. Radio Tower, Storage, 15528 FM 1778, Farmersville, TX, 75442
- 12. Radio Tower, 9165 County Road 101, Celina, TX, 75009
- 14. Radio Tower/Storage, 8499 County Road 502, Blue Ridge, TX, 75424

**Contingent Business Interruption Coverage Territory**

Coverage provided in Section 5., Extensions of Coverage, Item D. Contingent Business Interruption Coverage, is limited to property anywhere in the world except in the following countries, provinces or jurisdictions;

Afghanistan; Albania; Algeria; Angola; Armenia; Azerbaijan; Bangladesh; Belize; Benin; Botswana; Burkina Faso; Burundi; Cambodia; Cameroon; Central African Republic; Chad; Cote D'Ivoire; Cuba; Democratic Republic of the Congo (formerly Zaire); Djibouti; Equatorial Guinea; Eritrea; Ethiopia; Fiji; Gabon; Gambia; Georgia; Ghana; Grenada; Guinea; Guinea-Bissau; Guyana; Haiti; States of Jammu and Kashmir in India; Iran; Iraq; Gaza Strip, West Bank and territories north of Latitude 32.80 N in Israel; Laos; Lebanon; Lesotho; Liberia; Libya; Madagascar; Malawi; Mali; Mauritania; Mauritius; Moldova; Mongolia; Montenegro; Montserrat; Mozambique; Myanmar; Namibia; Nepal; Niger; Nigeria; North Korea; Pakistan; Papua New Guinea; Aksai Chin Region and Trans-Karakoram Tract in People's Republic of China; Republic of the Congo; Chechen Republic of the Russian Federation; Rwanda; Senegal; Seychelles; Sierra Leone; Somalia; Sri Lanka; Sudan; Swaziland; Syria; Tajikistan; Tanzania; Timor-Leste; Togo; Provinces of Agri, Batman, Bingol, Bitlis, Diyarbakir, Elazig, Hakkari, Igdir, Mardin, Mus, Sanliurfa, Siirt, Sirnak, and Van in Turkey; Turkmenistan; Uganda; Uzbekistan; Yemen; Zambia; and Zimbabwe.

**Watercraft Coverage**

This policy is extended to cover the Insured's watercraft.

Section E., Property Excluded, Item 8. is amended to:



- 8. Satellites and aircraft; except if on land, unfueled, manufactured by the insured at a location and prior to being sold.

**Notice of Cancellation:**

Section G. General Conditions Item 17. Cancellation is replaced by the following wording:

**17. Cancellation:**

- a) The first named Insured may cancel this policy at any time by surrendering the policy to this company or by mailing or delivering advance written notice of cancellation to this company.
- b) This company may cancel this policy by mailing or delivering written notice of cancellation to the first named insured at the address as stated in the declarations section, not less than:
  - 1) Ninety (90) days before the effective date of cancellation; or
  - 2) Ten (10) days before the effective date of cancellation for non-payment of premium.
- c) If this policy is cancelled, written notice of cancellation also will be mailed or delivered to Lenders Loss Payables and Mortgagees as their interests may appear in this policy or as shown on Certificates of Insurance issued on behalf of the first named Insured and on file with this company, not less than:
  - 1) Sixty (60) days before the effective date of cancellation; or
  - 2) Ten (10) days before the effective date of cancellation for non-payment of premium; or
  - 3) Ten (10) days after the first named Insured cancels this policy.

Proof of mailing or delivery will be sufficient proof of notice.

- d) This company will return unearned premium to the first named Insured:
  - 1) On a pro-rata basis if this company cancels this policy.
  - 2) At 90% of the pro-rata basis if the first named Insured cancels this policy.

**Mortgagee and Lenders Loss Payable Interests and Obligations**

The following is added to section G. General Conditions.

**Mortgagee/Lenders Loss Payable:**

- a) Loss or damage, if any, to specified property insured under this policy shall be payable to each specified Mortgagee and Lenders Loss Payable (hereinafter collectively called Lender) as its interest

may appear, in addition to the first named Insured or as the first named Insured directs.

- b) This insurance as to the interest of the Lender shall not be invalidated by:
  - 1) Any act or neglect of the debtor, mortgagor, or owner (as the case may be) of the property.
  - 2) Foreclosure, notice of sale, or similar proceedings with respect to the property.
  - 3) Change in the title or ownership of the property.
  - 4) Change to a more hazardous occupancy.

The Lender will notify this company of any known change in ownership, occupancy, or hazard and, within 10 days of written request by this company, may pay the increased premium associated with such known change. If the Lender fails to pay the increased premium, all coverage under this policy will cease.

- c) If the first named Insured fails to render proof of loss within the time provided in this policy, the Lender shall render proof of loss within sixty days after having knowledge of the first named Insured's failure in the form and manner provided by this policy, and, further, shall be subject to the provisions of this policy relating to Appraisal, Legal Action Against this Company, When Loss Payable and the time of payment and bringing suit.
- d) Whenever this company shall pay the Lender for loss or damage under this policy and shall deny payment to the debtor, mortgagor or owner, this company shall, to the extent of such payment, be subrogated to the rights of the Lender under all collateral held to secure the debt or mortgage. No subrogation shall impair the right of the Lender to recover the full amount due. At its option, this company may pay to the Lender the whole principal due on the debt or mortgage plus any accrued interest. In this event, all rights and securities will be assigned and transferred from the Lender to this company, and the remaining debt or mortgage will be paid to this company.
- e) This company may invoke this policy's Suspension clause. The suspension of insurance will apply to the interest of the Lender in any machine, vessel, or part of any machine or vessel subject to the suspension. This company will provide the Lender at the last reported address a copy of the suspension notice.
- f) All notices sent to the Lender shall be sent to its last reported address below.

Subject to this provision, loss, if any, under this policy will be adjusted with the first named Insured and made payable to or as the first named Insured directs and to the following:

<u>Lender</u>	<u>Location/Interest</u>
---------------	--------------------------

As their interests may appear in this policy or as shown on Certificates of Insurance issued on behalf of the first named Insured and on file with this company.



**INDEX OF FORMS:**

The following forms are made part of this policy:

<b><u>Title</u></b>	<b><u>Form No.</u></b>	<b><u>Edition</u></b>
Standard Fire Insurance Policy	1677-A	(1/00)
Declarations	S-1 PRO 3100	(1/08)
All Risk Property Coverage	PRO AR 3100	(10/09)
Business Interruption Endorsement Gross Earnings/Rents/ Extra Expense	PRO GE-EE 3200	(8/11)
Texas Special Mandatory Endorsement	6810	(10/09)
Supplemental United States Certified Acts of Terrorism Endorsement	7312	(1/08)
Application of Policy to Date and Time Recognition	PRO DTR 2400	(11/00)

Total Premium **including** the United States Certified Act of Terrorism coverage: **\$253,605**

Total Premium **excluding** the United States Certified Act of Terrorism coverage: **\$246,105**

Total Premium for the United States Certified Act of **Terrorism: \$7,500**

If the option to purchase coverage for the United States Certified Act of Terrorism is elected, the Extension of Coverage Sub-Limit 17.A. will be amended to 17.A. \$452,998,264.

**Engineering Fees: \$8,000** at no commission.

**Applicable state taxes, surcharges and fees are not included in this proposal. Applicable state taxes, surcharges and fees will be added to the invoice.**

Any variations between this proposal letter and Affiliated FM forms versus your application are not provided.

This proposal expires 10/1/12.



**Location Schedule**

1. Justice Center, 4300 Community Boulevard, McKinney, TX, 75071, Index No. 000311.10
2. Central Plant, 4600 Community Boulevard, McKinney, TX, 75071, Index No. 000311.10
3. Public Works, Medical Examiner, Car Wash, Storage, 700 Wilmeth Road, McKinney, TX, 75069, Index No. 000311.12
4. Storage Garage, 1269 State Highway 78 South, Farmersville, TX, 75442
5. Myers Park, 7117 County Road 166, McKinney, TX, 75071, Index No. 000311.13
6. Weston Barn, 3821 East Fm 455, Anna, TX, 75409
7. Old Post Office, 300 East Virginia Street, McKinney, TX, 75069
8. Courts Facility, 1800 North Graves Street, McKinney, TX, 75069, Index No. 074150.32
9. Juvenile Detention Facility, 4700 Community Boulevard, McKinney, TX, 75071, Index No. 000311.10
10. Radio Tower, 700 Wilmeth Road, McKinney, TX, 75069, Index No. 000311.12
11. Radio Tower, Storage, 15528 FM 1778, Farmersville, TX, 75442
12. Radio Tower, 9165 County Road 101, Celina, TX, 75009
13. Minimum Security/Housing Cluster, 4800 Community Boulevard, McKinney, TX, 75071, Index No. 000311.10
14. Radio Tower/Storage, 8499 County Road 502, Blue Ridge, TX, 75424
15. Wylie WIC Office, 303 W. Hwy 78, Wylie, TX, 75098
16. Frisco WIC Office, 8760 3rd Street, Frisco, TX, 75034
17. JOP Frisco, 8585 John Wesley Drive, Frisco, TX, 75034
18. JOP Wylie, 2001 North Highway 78, Wylie, TX, 75098
19. JOP Farmersville, 468A Raymond Street, Farmersville, TX, 75442
20. Animal Shelter, 4750 Community Boulevard, McKinney, TX, 75071, Index No. 000311.10
21. Parkhill Prairie, 17127 County Road 668, Blue Ridge, TX, 75424
22. Sister Grove Park, 11222 County Road 562, Princeton, TX, 75407
23. Youth Camp, 1180 West Houston Street, Westminster, TX, 75485, Index No. 000802.47
24. Justice Center Courthouse, 2100 Bloomdale Road, McKinney, TX, 75071, Index No. 000311.10
25. Administration Building, 2352 Bloomdale Road, McKinney, TX, 75071, Index No. 000311.10



## Changes/Developments

It is important that we be advised of any changes in your operations that may have a bearing on the validity and/or adequacy of your insurance. The types of changes that concern us include, but are not limited to, those listed below:

1. Changes in any operation such as expansion to other states or new products.
2. Mergers and/or acquisition of new companies.
3. Any newly assumed contractual liability, granting of indemnities, or hold harmless agreements.
4. Circumstances which may require increased liability insurance limits.
5. Any changes in fire or theft protection, such as the installation of or disconnection of sprinkler systems, burglar alarms, etc. This includes any alterations to same.
6. Immediate advice of any changes to scheduled equipment such as contractors' equipment, electronic data processing, etc.
7. Property of yours that is in transit, unless we have previously arranged for the insurance.
8. Any changes in existing premises including vacancy, whether temporary or permanent, alterations, demolition, etc. Also, any new premises either purchased, constructed, or occupied.



## Proposal Disclosures

The following disclosures are hereby made a part of this proposal. Please review these disclosures prior to signing the Client Authorization to Bind or e-mail confirmation.

### Proposal Disclaimer

**IMPORTANT:** The proposal is an outline of certain terms and conditions of the insurance proposed by the insurers, based on the information provided by your company. It does not include all the terms, coverages, exclusions, limitations and/or conditions of the actual policy contract language. The insurance policies themselves must be read for those details. Policy forms for your reference will be made available upon request.

We will not be operating in a fiduciary capacity, but only as your broker, obtaining a variety of coverage terms and conditions to protect the risks of your enterprise. We will seek to bind those coverages based upon your authorization; however, we can make no warranties in respect to policy limits or coverage considerations of the carrier. Actual coverage is determined by policy language, so read all policies carefully. Contact us with questions on these or any other issues of concern.

### Compensation Disclosure

One of the core values highlighted in The Gallagher Way states, "We are an Open Society," and our open society extends to the compensation Gallagher receives. For more information on Gallagher's compensation arrangements, please visit <http://www.ajg.com/compdisclosure>. In general, Gallagher may be compensated as follows:

1. Gallagher Companies are primarily compensated from the usual and customary commissions or fees received from the brokerage and servicing of insurance policies, annuity contracts, guarantee contracts and surety bonds (collectively "insurance coverages") handled for a client's account, which such commissions and fees may vary from company to company and insurance coverage to insurance coverage. As permitted by law, Gallagher companies occasionally receive both commissions and fees. In placing, renewing, consulting on or servicing your insurance coverages, Gallagher Companies may participate in contingent commission arrangements with intermediaries and insurance companies that provide for additional contingent compensation if underwriting, profitability, volume or retention goals are achieved. Such goals are typically based on the total amount of certain insurance coverages placed by Gallagher with the insurance company and/or through the intermediary, not on an individual policy basis. As a result, Gallagher may be considered to have an incentive to place your insurance coverages with a particular insurance company.
2. Gallagher Companies may also receive investment income on fiduciary funds temporarily held by them, such as premiums or return premiums.
3. Gallagher Companies may access other facilities, including wholesalers, reinsurance intermediaries, captive managers, underwriting managers and others that act as intermediaries for both Gallagher and other brokers in the insurance marketplace. Gallagher Companies may own some of these facilities, in whole or in part. If such a facility was utilized in the placement of a client's account, the facility may have earned and retained customary brokerage commission or fees for its work.
4. Gallagher assists its customers in procuring premium finance quotes and unless prohibited by law may earn compensation for this value added service.

If you have specific questions about the compensation received by Gallagher and its affiliates in relation to your insurance placements, please contact your Gallagher representative for more details.

In the event you wish to register a formal complaint regarding compensation Gallagher receives from insurers or third parties, please send an e-mail to [Compensation\\_Complaints@ajg.com](mailto:Compensation_Complaints@ajg.com) or send a letter to:

AVC Compliance Officer  
Arthur J. Gallagher & Co.  
Two Pierce Place, 20<sup>th</sup> Floor  
Itasca, IL 60143



**TRIA/TRIPRA  
Disclaimer**

If this proposal contains options to purchase TRIA/TRIPRA coverage, the proposed TRIA/TRIPRA program may not cover all terrorism losses. While the most recent legislation eliminated the distinction between foreign and domestic acts of terrorism, a number of lines of coverage excluded under the TRIA legislation passed in 2005 remain excluded including commercial automobile, burglary and theft insurance; surety insurance, farm owners multiple perils and professional liability (although directors and officers liability is specifically included). If such excluded coverages are required, we recommend that you consider purchasing a separate terrorism policy. Please note that a separate terrorism policy for these excluded coverages may be necessary to satisfy loan covenants or other contractual obligations.

**Confidentiality  
Statement**

We consider as confidential any information presented by **Arthur J. Gallagher Risk Management Services, Inc.** in response to your "request for proposal," as well as subsequent verbal and written communications between our organizations. We ask that other brokers not have access to our material and that information presented in this proposal be shared only with those who have a need to know within your company. We make our commitment to you that information already received from you, and additional to follow, will be treated with the same high level of respect and confidentiality.

**Actuarial  
Disclaimer**

The information contained in this proposal is based on the historical loss experience and exposures provided to **Arthur J. Gallagher Risk Management Services, Inc.**. This proposal is not an actuarial study. Should you wish to have this proposal reviewed by an independent actuary, we will be pleased to provide you with a listing of actuaries for your use.

**Texas Mutual  
Insurance  
Company**

Texas Mutual Insurance Company was created by statute; however, this entity is not a state agency and is not funded or guaranteed by the State of Texas. More information can be obtained at the following website: <http://www.texasmutual.com/>.

Texas Mutual Insurance Company is an admitted carrier in the State of Texas and is a member of the Texas Property and Casualty Insurance Guaranty Association.

Texas Mutual is not rated or followed by A.M. Best Company, which is the most widely recognized independent rating organization which specializes in insurance companies. Arthur J. Gallagher and Company and its affiliates are not responsible for the future financial solvency or claims paying ability of any insurance companies, trusts, pools, risk retention groups, reciprocal exchanges, or other forms of risk transfer.



## Client Signature Requirements



## Coverages for Consideration

### Overview

- A proposal for any of the coverages can be provided.
- The recommendations and considerations summarized in this section are not intended to identify all exposures.
- Since Gallagher does not handle your complete insurance program, these recommendations only reflect items within our scope of responsibility.

### Other Coverage Considerations

- Foreign Exposures
- Kidnap & Ransom
- Fiduciary Liability – Claims-Made Coverage
- Bonds
- Employee Benefit

**Client Authorization to Bind Coverage**

After careful consideration of Gallagher's proposal dated 8/08/2012, we accept the following coverage(s). *Please check the desired coverage(s) and note any coverage amendments below:*

LINE OF COVERAGE		CARRIER
<input type="checkbox"/> Accept <input type="checkbox"/> Reject	Property Coverage	Affiliated FM Insurance Company
<input type="checkbox"/> Accept <input type="checkbox"/> Reject	Terrorism Coverage	

**Producer/ Insured Coverage Amendments and Notes:**

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\_\_\_\_\_  
Client Initials



## Client Authorization to Bind Coverage

Provide Quotations or Additional Information on the Following Coverage Considerations:

### Other Coverage Considerations

- Yes  No Foreign Exposures
- Yes  No Kidnap & Ransom
- Yes  No Fiduciary Liability – Claims-Made Coverage
- Yes  No Bonds
- Yes  No Employee Benefit

**Note: Selecting the “Reject All or Accept All” option will override any selections that you have made above**

**Reject All**  **Accept All - Coverages for Consideration**

It is understood this proposal provides only a summary of the details; the policies will contain the actual coverages.

We confirm the values, schedules, and other data contained in the proposal are from our records and acknowledge it is our responsibility to see that they are maintained accurately.

We agree that your liability to us arising from your negligent acts or omissions, whether related to the insurance placed pursuant to these binding instructions or not, shall not exceed \$20 million, in the aggregate. Further, without limiting the foregoing, we agree that in the event you breach your obligations, you shall only be liable for actual damages we incur and that you shall not be liable for any indirect, consequential or punitive damages.

By:

\_\_\_\_\_  
Specify: owner, partner or corporate officer

\_\_\_\_\_  
Print Name

Date:

\_\_\_\_\_



**Appendix**



## Claims Reporting By Policy

### Direct Reporting

Immediately report all claims for the following lines of coverage to the insurance carrier.

- Property
  - Affiliated FM Insurance Company

Please forward all new claims to: [SCclaims@ajg.com](mailto:SCclaims@ajg.com).

## Bindable Quotations & Compensation Disclosure Schedule

Client Name: Alamo Community College District

COVERAGE(S)	CARRIER NAME(S)	ESTIMATED ANNUAL PREMIUM <sup>1</sup>	COMM. % OR FEE <sup>2</sup>	NAME <sup>3</sup>	WHOLESALE, MGA OR INTERMEDIARY	
					COMMISSION % / FEE \$ <sup>4</sup>	AJG OWNED? YES/NO
Property Coverage	Affiliated FM Insurance Company including Terrorism and Engineering Fee	\$261,605	15%	N/A	N/A	N/A
Property Coverage	Affiliated FM Insurance Company excluding Terrorism and including Engineering Fee	\$254,105	15%	N/A	N/A	N/A

Some carriers pay Gallagher supplemental or contingent commissions in addition to the policy commission. Contingent commissions are typically contingent upon performance factors such as growth, profit, volume or retention, while supplemental commissions are not. These supplemental or contingent commissions may range from less than 1% up to 10 % of the policy premium. Please refer to the [Contingent and Supplemental Commission Disclosure](#) or contact your Gallagher representative for additional information.

- 1 \* A verbal quotation was received from this carrier. We are awaiting a quotation in writing. The premium indicated is an estimate provided by the market. The actual premium and acceptance of the coverage requested will be determined by the market after a thorough review of the completed application.
- \*\* A written quotation was received from this carrier. The premium indicated is an estimate provided by the market. The actual premium and acceptance of the coverage requested will be determined by the market after a thorough review of the completed application.
- 2 The commission rate is a percentage of annual premium excluding taxes & fees.  
\* Gallagher is receiving \_\_\_\_\_% commission on this policy. The fee due Gallagher will be reduced by the amount of the commissions received.
- 3 We were able to obtain more advantageous terms and conditions for you through an intermediary/ wholesaler.
- 4 \* The non-Gallagher intermediary/wholesaler did not provide their compensation information for this proposal. The usual and customary compensation to a wholesaler/ intermediary ranges from 5% to 12%, but we cannot verify that range is applicable in connection with this proposal.



## Contingent and Supplemental Commission Disclosure

Effective October 1, 2009, Arthur J. Gallagher & Co., and its subsidiaries operating as insurance agents/brokers under the corporate holding company known as Arthur J. Gallagher Brokerage & Risk Management Services, LLC, resumed participating in contingent commission arrangements which are routinely offered by insurance companies and intermediaries to agents and brokers, after voluntarily foregoing the benefit of this type of compensation since January 1, 2005. Contingent commission arrangements provide for additional compensation if certain underwriting, profitability, volume or retention goals are achieved. Such goals are typically based on the total amount of certain insurance coverages placed by Gallagher with the insurance company and/or through the intermediary, not on an individual policy basis. As a result, Gallagher may be considered to have an incentive to place your insurance coverages with a particular insurance company.

During the time Gallagher's retail operations did not accept contingent commissions, some insurance markets and intermediaries, including Gallagher owned intermediaries, modified their commission schedule with Gallagher, resulting in an increase in some commission rates. The additional commissions, commonly referred to as "supplemental commissions", are known at the effective date of the policy, but some intermediaries and insurance companies are paying the commission increase apart and later from when the commission is normally paid at policy issuance.

Unlike contingent commissions, supplemental commission payments are determined **without** regard to any performance factors which are contingent on future growth, retention, profitability, etc.

Contingent and supplemental commission ranges from less than 1% up to 10% of written or earned premium on eligible lines of business (not all lines of business qualify).

**NOTE:** Upon request, your Gallagher representative can provide more specific market information regarding contingent and supplemental commission related to your insurance coverage.



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## INSURANCE PROPOSAL for Collin County

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To: Cyndi Boehle

At: Arthur J. Gallagher Risk Management Services, Inc.

Fax No.:

From: Tim Yancey

Date: 14 Aug 2012

Pages:

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### **A. POLICY TERM:**

01-October-2012 to 01-October-2013

### **B. NAMED INSURED:**

Collin County, and its wholly or majority owned subsidiaries and any interest which may now exist or hereinafter be created or acquired which are owned, controlled or operated by any one or more of those named insureds.

### **C. POLICY LIMIT:**

This company's liability will not exceed the respective Sub-Limits of Liability shown elsewhere for the coverages involved. However, in no event will the company's total Limit of Liability exceed \$452,998,264 as a result of any one occurrence, regardless of the number of perils, coverages or locations involved.

### **D. INSURANCE PROVIDED:**

All risks of direct physical loss or damage, as defined and limited herein, on Real Property, Personal Property, Business Interruption, including the Extensions of Coverage applying at the following described locations:

See Attached Location Schedule.

### **E. SUB-LIMITS:**

Unless otherwise stated below, the following sub-limits of liability will apply on a per occurrence basis for all coverages provided, and are part of, not in addition to, the above limit(s) of liability.

For Annual Aggregate sub-limits the policy year will begin at the inception date of this policy and be concurrent with the anniversary dates of this policy.

1. \$100,000,000 Earth Movement (Annual Aggregate, for all coverages provided)
2. \$100,000,000 Flood (Annual Aggregate, for all coverages provided)
3. \$1,000,000 Extra Expense -- The Company will pay the greater of the sub-limit or 15% of the reported annual Business Interruption values.
4. \$25,000 Watercraft

### **F. EXTENSIONS OF COVERAGE (EOC) SUB-LIMITS:**

The following sub-limits of liability will apply on a per occurrence basis for all coverages provided, unless otherwise stated below, and are part of, not in addition to the above limit(s) of liability.

For Annual Aggregate sub-limits the policy year will begin at the inception date of this policy and be concurrent with the anniversary dates of this policy.

#### **All Risk - Extensions of Coverage Sub-Limits:**

1. \$100,000 Fire Fighting Materials and Expenses
2. \$250,000 Professional Fees



- 3. \$250,000 Expediting Expenses
- 4. \$100,000 Trees, Shrubs, Plants and Lawns not to exceed a limit of \$1,000 per item
- 5. \$250,000 Pavements and Roadways
- 6. \$50,000 Land and Water Clean Up Expense (Annual Aggregate, for all coverages provided)
- 7. \$250,000 Installation Floater
- 8. \$2,500,000 Newly Acquired Property
- 9. \$2,500,000 Unnamed Locations Coverage
- 10. \$1,000,000 Fine Arts
- 11. \$500,000 Accounts Receivable
- 12. \$5,000,000 Valuable Papers and Records
- 13. \$500,000 Electronic Data Processing, Data and Media
- 14. Demolition and Increased Cost of Construction
  - Policy Limit Item A: Undamaged Portion
  - \$5,000,000 Item B: Demolition
  - \$5,000,000 Item C: Compliance with the Law
  - \$1,000,000 Item D: Business Interruption
- 15. \$2,500,000 Errors and Omissions
- 16. \$1,000,000 Transit
- 17. Terrorism Coverage and the Supplemental United States Certified Act of Terrorism Endorsement
  - \$100,000 A. United States Certified Act of Terrorism coverage
  - \$100,000 B. Terrorism Coverage for Locations Outside of the United States (Annual Aggregate, for all coverages provided)
- 18. \$2,500,000 Fungus, Mold or Mildew
- 19. \$100,000 Deferred Payment
- 20. \$250,000 Off-Premises Service Interruption - Property Damage
- 21. \$100,000 Arson or Theft Reward
- 22. \$100,000 Money and Securities
- 23. \$100,000 Locks and Keys
- 24. \$100,000 Tenants Legal Liability and Expense
- 25. \$100,000 Soft Costs

**Business Interruption - Extensions of Coverage Sub-Limits:**

- A. 30 Days of Ordinary Payroll
- B. 30 Days of Civil or Military Authority
- C. \$250,000 Off-Premises Service Interruption
- D. \$250,000 Contingent Business Interruption
- E. \$250,000 Research and Development Expense
- F. \$250,000 Ingress/Egress
- G. \$100,000 Tax Treatment
- H. 30 Days of Extended Period of Indemnity

The above Extensions of Coverage sub-limits of liability will be the maximum payable for property damage and business interruption (if applicable) resulting from such property damage, or any combination thereof.

With respect to items A. and H. the number of days is part of and not in excess to any other outstanding sub-limits of liability.

As respects the United States of America, its territories and possessions, the District of Columbia, the Commonwealth of Puerto Rico, the U. S. Virgin Islands; and Canada, Section D. Extensions of Coverage Item 9. Unnamed Locations and Section C. Additional Coverage Item 4. Property Removed from Described Locations are extended to Section D. Extension of Coverage Item 17. Terrorism with a sub-limit of liability of \$100,000 (Annual Aggregate for all coverages provided) for Property Damage and Business Interruption (if provided) combined. Also a \$100,000 Flood sub-limit of liability (if provided) (Annual Aggregate for all coverages provided) for Property Damage and Business Interruption (if provided) combined applies to Section D. Extension of Coverage Item 17. Terrorism.

Both of these sub-limits of liability applying to the Extension of Coverage Item 17. Terrorism do not apply to the Supplemental United States Certified Acts of Terrorism Endorsement.



These limits shall not include the Actual Cash Value portion of fire damage caused by Terrorism.

**G. DEDUCTIBLE AMOUNT:**

The following deductible amounts shall apply per occurrence for loss or damage under this policy in the respective loss categories indicated:

1. \$100,000 Earth Movement (per occurrence for each location for all coverages provided).
2. \$100,000 Flood (per occurrence for each location for all coverages provided) at all remaining locations.

3. Boiler and Machinery:

A. Property Damage: \$10,000

B. Business Interruption Waiting Period:

In the event of loss or damage insured by this policy, no coverage is provided for business interruption unless and until the period of interruption exceeds 24 hours beginning from the time of loss. The company's liability commences only after, and does not include, the waiting period.

4. Off Premises Service Interruption Qualifying Period:

In the event of loss or damage covered by this policy, no coverage is provided unless the service interruption exceeds 48 hours beginning from the time of loss or damage covered by this policy. If the service interruption exceeds 48 hours, the loss will be calculated from the time of loss or damage covered by this policy, subject to the policy deductible.

5. Electronic Data Processing Equipment, Data and Media Deductible:

In the event of loss or damage to Electronic Data Processing (EDP) Equipment, Data and Media insured by this policy caused by the malicious introduction of a machine code or instruction, no coverage is provided unless the period of interruption exceeds 48 hours beginning from the time of insured loss. The company's liability commences only after, and does not include, the Waiting Period specified.

If the period of interruption exceeds 48 hours, the insured loss will be calculated based upon the amount of insured loss in excess of the Waiting Period and subject to a combined deductible for all coverages of \$10,000 per location.

Any period in which business operations or services would have not been maintained, or any period in which goods would have not been produced will not be included as part of or serve to reduce the effect of any Waiting Period.

6. \$25,000 Fine Arts  
Valuable Papers
7. \$10,000 Contractors Equipment  
Personal property of inmates  
Watercraft



8. \$50,000 All Other Losses.

## **H. SPECIAL TERMS AND CONDITIONS:**

### **1. Extended Terrorism Coverage Endorsement**

#### **Section F. Perils Excluded, Group I. Item 2. f) is amended to:**

- f. Terrorism, including action taken to prevent, defend against, respond to or retaliate against Terrorism or suspected Terrorism, except to the extent provided in Section D, Extensions of Coverage, 17. Terrorism. However, if direct loss or damage by fire results from any of these acts (unless committed by or on behalf of the insured), then this Policy covers only to the extent the Actual Cash Value of the resulting direct loss or damage by fire to property insured. This coverage exception for such resulting fire loss or damage does not apply to any coverage provided in any Business Interruption Endorsement, if any, which may be a part of this Policy, or any extension of such coverage, or to any other coverages provided by this Policy.

Any act which satisfies the definition of Terrorism provided in Section H, Definitions, or in any Terrorism Endorsement to this policy, shall not be considered to be vandalism, malicious mischief, riot, civil commotion, or any other risk of physical loss or damage which may be covered elsewhere in this Policy.

If any act which satisfies the definition of Terrorism provided in Section H, Definitions, or in any Terrorism Endorsement to this policy, also comes within the terms of the hostile or warlike action exclusion of this Policy in Section F, Group I, 2.a), the hostile or warlike action exclusion applies in place of this exclusion.

If any act excluded herein involves nuclear reaction, nuclear radiation or radioactive contamination, this exclusion applies in place of the nuclear hazard exclusion of this Policy, Section F, Group I, 1.

### **2. United States Certified Act of Terrorism 2008**

As respects the United States, its territories and possessions and the Commonwealth of Puerto Rico, the definition of **Terrorism** contained in Section H. DEFINITIONS is declared null and void and it is agreed that an event defined as a Certified Act of Terrorism under the terms of the SUPPLEMENTAL UNITED STATES CERTIFIED ACT OF TERRORISM ENDORSEMENT attached to this policy shall be considered **Terrorism** within the terms of this policy. Notwithstanding anything contained in this policy to the contrary, this policy provides coverage for direct physical loss or damage to insured property and any resulting Business Interruption loss, as provided in the policy, caused by or resulting from a Certified Act of Terrorism only to the extent coverage is provided under the terms and conditions of the SUPPLEMENTAL UNITED STATES CERTIFIED ACT OF TERRORISM ENDORSEMENT attached to this policy. Any difference in limit between loss recoverable under the SUPPLEMENTAL UNITED STATES CERTIFIED ACT OF TERRORISM ENDORSEMENT and this policy is not recoverable under this policy.

### **3. Real Property Exclusion**

This policy does not insure against loss or damage to Real Property at the following locations:

- 15. Wylie WIC Office, 303 W. Hwy 78, Wylie, TX, 75098
- 16. Frisco WIC Office, 8760 3rd Street, Frisco, TX, 75034



- 17. JOP Frisco, 8585 John Wesley Drive, Frisco, TX, 75034
- 18. JOP Wylie, 2001 North Highway 78, Wylie, TX, 75098
- 19. JOP Farmersville, 468A Raymond Street, Farmersville, TX, 75442

**4. Contractors' Equipment**

This policy is extended to cover Contractors' Equipment. The company's maximum liability for any one loss under this policy for Contractors' Equipment will not exceed **\$8,707,973** per occurrence.

**Actual Cash Value Valuation**

The following paragraph shown in the General Conditions section, G. Basis of Valuation;

Adjustment of loss amount(s) under this policy will be determined based on the cost of repairing or replacing (whichever is the lesser), at the time of loss, with materials or equipment of like kind and quality without deduction for depreciation, except as provided in this valuation section.

is amended to:

Adjustment of loss amount (s) under this policy will be determined based on the actual cash value at the time of loss. The words "actual cash value" are substituted wherever the word(s) "replacement cost" are shown.

Applying to Contractors' Equipment.

**5. Transmission and Distribution Systems Exclusion**

Section E., Property Excluded, is amended to include:

Transmission and distribution systems, including poles, towers and fixtures, overhead conductors and devices, underground or underwater conduit, underground or underwater conductors and devices, line transformers, service meters, street lighting and signal systems.

This exclusion does not apply at the following locations:

- 10. Radio Tower, 700 Wilmeth Road, McKinney, TX, 75069
- 11. Radio Tower, Storage, 15528 FM 1778, Farmersville, TX, 75442
- 12. Radio Tower, 9165 County Road 101, Celina, TX, 75009
- 14. Radio Tower/Storage, 8499 County Road 502, Blue Ridge, TX, 75424

**6. Contingent Business Interruption Coverage Territory**

Coverage provided in Section 5., Extensions of Coverage, Item D. Contingent Business Interruption Coverage, is limited to property anywhere in the world except in the following countries, provinces or jurisdictions;

Afghanistan; Albania; Algeria; Angola; Armenia; Azerbaijan; Bangladesh; Belize; Benin; Botswana; Burkina Faso; Burundi; Cambodia; Cameroon; Central African Republic; Chad; Cote D'Ivoire; Cuba; Democratic Republic of the

Congo (formerly Zaire); Djibouti; Equatorial Guinea; Eritrea; Ethiopia; Fiji; Gabon; Gambia; Georgia; Ghana; Grenada; Guinea; Guinea-Bissau; Guyana; Haiti; States of Jammu and Kashmir in India; Iran; Iraq; Gaza Strip, West Bank and territories north of Latitude 32.80 N in Israel; Laos; Lebanon; Lesotho; Liberia; Libya; Madagascar; Malawi; Mali; Mauritania; Mauritius; Moldova; Mongolia; Montenegro; Montserrat; Mozambique; Myanmar; Namibia; Nepal; Niger; Nigeria; North Korea; Pakistan; Papua New Guinea; Aksai Chin Region and Trans-Karakoram Tract in People's Republic of China; Republic of the Congo; Chechen Republic of the Russian Federation; Rwanda; Senegal; Seychelles; Sierra Leone; Somalia; Sri Lanka; Sudan; Swaziland; Syria; Tajikistan; Tanzania; Timor-Leste; Togo; Provinces of Agri, Batman, Bingol, Bitlis, Diyarbakir, Elazig, Hakkari, Igdir, Mardin, Mus, Sanliurfa, Siirt, Sirnak, and Van in Turkey; Turkmenistan; Uganda; Uzbekistan; Yemen; Zambia; and Zimbabwe.

## 7. **Watercraft Coverage**

This policy is extended to cover the Insured's watercraft.

Section E., Property Excluded, Item 8. is amended to:

8. Satellites and aircraft; except if on land, unfueled, manufactured by the insured at a location and prior to being sold.

## 8. **Notice of Cancellation:**

Section G. General Conditions Item 17. Cancellation is replaced by the following wording:

### **17. Cancellation:**

- a) The first named Insured may cancel this policy at any time by surrendering the policy to this company or by mailing or delivering advance written notice of cancellation to this company.
- b) This company may cancel this policy by mailing or delivering written notice of cancellation to the first named insured at the address as stated in the declarations section, not less than:
  - 1) Ninety (90) days before the effective date of cancellation; or
  - 2) Ten (10) days before the effective date of cancellation for non-payment of premium.
- c) If this policy is cancelled, written notice of cancellation also will be mailed or delivered to Lenders Loss Payables and Mortgagees as their interests may appear in this policy or as shown on Certificates of Insurance issued on behalf of the first named Insured and on file with this company, not less than:
  - 1) Sixty (60) days before the effective date of cancellation; or
  - 2) Ten (10) days before the effective date of cancellation for non-payment of premium; or
  - 3) Ten (10) days after the first named Insured cancels this policy.

Proof of mailing or delivery will be sufficient proof of notice.

- d) This company will return unearned premium to the first named Insured:
  - 1) On a pro-rata basis if this company cancels this policy.
  - 2) At 90% of the pro-rata basis if the first named Insured cancels this policy.

9. **Mortgagee and Lenders Loss Payable Interests and Obligations**

The following is added to section G. General Conditions.

**Mortgagee/Lenders Loss Payable:**

- a) Loss or damage, if any, to specified property insured under this policy shall be payable to each specified Mortgagee and Lenders Loss Payable (hereinafter collectively called Lender) as its interest may appear, in addition to the first named Insured or as the first named Insured directs.
- b) This insurance as to the interest of the Lender shall not be invalidated by:
  - 1) Any act or neglect of the debtor, mortgagor, or owner (as the case may be) of the property.
  - 2) Foreclosure, notice of sale, or similar proceedings with respect to the property.
  - 3) Change in the title or ownership of the property.
  - 4) Change to a more hazardous occupancy.

The Lender will notify this company of any known change in ownership, occupancy, or hazard and, within 10 days of written request by this company, may pay the increased premium associated with such known change. If the Lender fails to pay the increased premium, all coverage under this policy will cease.

- c) If the first named Insured fails to render proof of loss within the time provided in this policy, the Lender shall render proof of loss within sixty days after having knowledge of the first named Insured's failure in the form and manner provided by this policy, and, further, shall be subject to the provisions of this policy relating to Appraisal, Legal Action Against this Company, When Loss Payable and the time of payment and bringing suit.
- d) Whenever this company shall pay the Lender for loss or damage under this policy and shall deny payment to the debtor, mortgagor or owner, this company shall, to the extent of such payment, be subrogated to the rights of the Lender under all collateral held to secure the debt or mortgage. No subrogation shall impair the right of the Lender to recover the full amount due. At its option, this company may pay to the Lender the whole principal due on the debt or mortgage plus any accrued interest. In this event, all rights and securities will be assigned and transferred from the Lender to this company, and the remaining debt or mortgage will be paid to this company.
- e) This company may invoke this policy's Suspension clause. The suspension of insurance will apply to the interest of the Lender in any machine, vessel, or part of any machine or vessel subject to the suspension. This company will provide the Lender at the last reported address a copy of the suspension notice.
- f) All notices sent to the Lender shall be sent to its last reported address below.

Subject to this provision, loss, if any, under this policy will be adjusted with the first named Insured and made payable to or as the first named Insured directs and to the following:

<u>Lender</u>	<u>Location/Interest</u>
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As their interests may appear in this policy or as shown on Certificates of Insurance issued on behalf of the first named Insured and on file with this company.



**I. INDEX OF FORMS:**

The following forms are made part of this policy:

<u>Title</u>	<u>Form No.</u>	<u>Edition</u>
Standard Fire Insurance Policy	1677-A	(1/00)
Declarations	S-1 PRO 3100	(1/08)
All Risk Property Coverage	PRO AR 3100	(10/09)
Business Interruption Endorsement Gross Earnings/Rents/ Extra Expense	PRO GE-EE 3200	(8/11)
Texas Special Mandatory Endorsement	6810	(10/09)
Supplemental United States Certified Acts of Terrorism Endorsement	7312	(1/08)
Application of Policy to Date and Time Recognition	PRO DTR 2400	(11/00)

Total Premium **including** the United States Certified Act of Terrorism coverage: **\$253,605** at 15.00% commission

Total Premium **excluding** the United States Certified Act of Terrorism coverage: **\$246,105** at 15.00% commission

Total Premium for the United States Certified Act of **Terrorism: \$7,500** at 15.00% commission

If the option to purchase coverage for the United States Certified Act of Terrorism is elected, the Extension of Coverage Sub-Limit 17.A. will be amended to 17.A. \$452,998,264.

**Engineering Fees: \$8,000** at no commission.

**Applicable state taxes, surcharges and fees are not included in this proposal. Applicable state taxes, surcharges and fees will be added to the invoice.**

Any variations between this proposal letter and Affiliated FM forms versus your application are not provided.

This proposal expires 10/1/12.



### **Location Schedule**

1. Justice Center, 4300 Community Boulevard, McKinney, TX, 75071, Index No. 000311.10
2. Central Plant, 4600 Community Boulevard, McKinney, TX, 75071, Index No. 000311.10
3. Public Works, Medical Examiner, Car Wash, Storage, 700 Wilmeth Road, McKinney, TX, 75069, Index No. 000311.12
4. Storage Garage, 1269 State Highway 78 South, Farmersville, TX, 75442
5. Myers Park, 7117 County Road 166, McKinney, TX, 75071, Index No. 000311.13
6. Weston Barn, 3821 East Fm 455, Anna, TX, 75409
7. Old Post Office, 300 East Virginia Street, McKinney, TX, 75069
8. Courts Facility, 1800 North Graves Street, McKinney, TX, 75069, Index No. 074150.32
9. Juvenile Detention Facility, 4700 Community Boulevard, McKinney, TX, 75071, Index No. 000311.10
10. Radio Tower, 700 Wilmeth Road, McKinney, TX, 75069, Index No. 000311.12
11. Radio Tower, Storage, 15528 FM 1778, Farmersville, TX, 75442
12. Radio Tower, 9165 County Road 101, Celina, TX, 75009
13. Minimum Security/Housing Cluster, 4800 Community Boulevard, McKinney, TX, 75071, Index No. 000311.10
14. Radio Tower/Storage, 8499 County Road 502, Blue Ridge, TX, 75424
15. Wylie WIC Office, 303 W. Hwy 78, Wylie, TX, 75098
16. Frisco WIC Office, 8760 3rd Street, Frisco, TX, 75034
17. JOP Frisco, 8585 John Wesley Drive, Frisco, TX, 75034
18. JOP Wylie, 2001 North Highway 78, Wylie, TX, 75098
19. JOP Farmersville, 468A Raymond Street, Farmersville, TX, 75442
20. Animal Shelter, 4750 Community Boulevard, McKinney, TX, 75071, Index No. 000311.10
21. Parkhill Prairie, 17127 County Road 668, Blue Ridge, TX, 75424
22. Sister Grove Park, 11222 County Road 562, Princeton, TX, 75407
23. Youth Camp, 1180 West Houston Street, Westminster, TX, 75485, Index No. 000802.47
24. Justice Center Courthouse, 2100 Bloomdale Road, McKinney, TX, 75071, Index No. 000311.10
25. Administration Building, 2352 Bloomdale Road, McKinney, TX, 75071, Index No. 000311.10